



## **Survey of a 1,000 Enterprises in Serbia for the year 2022/23**

- Survey on a representative sample of business entities that provide their annual balance sheets and have at least 3 employees -

February 2024

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*DISCLAIMER: This analysis was developed under the project “EU4BE – EU for Better Business Environment” implemented by the World Bank, together with the Ministry of Economy, Public Policy Secretariat, the Ministry for European Integration, other Ministries and Government administration institutions and bodies of the Republic of Serbia, with the support of the European Union. The views contained in this analysis are those of the authors and do not necessarily represent the views of the World Bank, project partners or European Union.*

## A. INTRODUCTION

In the Autumn of 2023, the "EU for a Better Business Environment - EU4BE" initiative undertook a comprehensive survey of 1047 Serbian companies, aiming to garner profound insights into the local economic landscape. This survey, strategically designed to ensure comparability with previous USAID-funded business surveys spanning the years 2011 to 2021, focused on assessing perceptions of the business environment, regulatory frameworks, access to finance, the digital economy, and the constraints, opportunities, and expectations within the Serbian business ecosystem.

The sample and questionnaire were tailored to deliver results aligning with the methodology and objectives of the prior USAID-funded surveys. Stratification of the sample was executed based on economic activities, region, size, and legal form of economic entities. The diverse cohort included micro, small, and medium enterprises, along with entrepreneurs submitting final accounts and maintaining a workforce of at least three employees.

The resulting sample composition accurately mirrors the structural distribution of the Serbian economy. Notably, 74% of micro, 22% small, 4% medium, and 1% large enterprises actively participated in our survey. Furthermore, a balanced representation of 61% companies and 39% entrepreneurs further enriches the dataset, enhancing the comprehensiveness of the findings. This strategic approach ensures the reliability and relevance of the survey outcomes in shaping an informed understanding of the Serbian business landscape in the evolving economic climate.

SURVEY METHODOLOGY	
<b>Realization:</b>	Research was conducted in the period between 12 <sup>th</sup> of October and 27 <sup>th</sup> of November 2023
<b>Target population:</b>	Private business entities in Serbia with 3 or more employees
<b>Sample frame:</b>	List of all business entities (enterprises and establishments) registered at the Serbian Business Register (2022)
<b>Sample size:</b>	1047 business entities
<b>Sample type:</b>	Representative, onestage stratified sample
<b>Stratification:</b>	According to region, economic activity of business entities, size and type of business entity (enterprise or entrepreneur)
<b>Method of data collection:</b>	Face-to-face interviews at company offices
<b>Average duration of the interview:</b>	35 minutes

## B. BUSINESS AND MARKET STRUCTURE AND BUSINESS ENVIRONMENT

### KEY INSIGHTS

#### 1. Economic Landscape Dynamics:

- Serbian economy is experiencing a shift towards more fragmentation, marked by an increasing reliance on micro-sized enterprises and entrepreneurs. This shift reflects the major global disruptions in the previous years, increased cost of doing business and overall lack of stability and predictability.

#### 2. Export Trends and Market Dynamics:

- The export landscape has witnessed a decline, transitioning from a frequency of every fourth company to one in five. Simultaneously, there is a visible trend of heightened market presence within the company's headquarters, with a decrease in placements in other cities. This shift is prominently led by entrepreneurs, with 86% directing their focus primarily toward the market of their city of headquarters.

#### 3. Business Performance and Optimism:

- Businesses have recorded positive changes in total revenue and profit, mirroring pre-pandemic levels of 2019. However, employment levels lag behind pre-pandemic figures. Despite this, there is a substantial increase in demand for goods and services. Optimism prevails, with approximately half of businesses anticipating growth in activity, revenues, profit, and demand, surpassing those predicting a decline.

#### 4. Positive Perception of Business Environment in Decline:

- The perception of the business environment in Serbia has displayed inconsistency over the last decade. Despite intermittent periods of optimism and improvement efforts in transparency and predictability, regulatory burdens, public private dialogue, and public administration, recent years have witnessed a decline in businesses' positive perceptions.

#### 5. Economic Challenges and Regulatory Trends:

- From a businesses' standpoint, challenges persist in taxes and contributions on wages, and non-tax charges such as various fees and duties, VAT tax and shadow economy. This year, the legal framework experiences an increase of negative perceptions on monopolies and customs and foreign trade.

#### 6. Barriers to Business Success:

- The most significant barriers to successful business currently encompass the escalating cost of doing business, concerns about a potential recession, and challenges related to unfair competition and political uncertainty. In addition, over 60% of businesses are concerned with a lack of financial resources and qualified workforce.

#### 7. Driving Business Success: Financial Management and Digital Skills

- Companies with a developed investment plan, those utilizing external sources of financing, and headquartered in Belgrade report business improvement more frequently than others. Businesses engaged in internet sales report increased demand and profits more frequently than others, indicating the growing importance of this sales channel.

## Businesses Structure

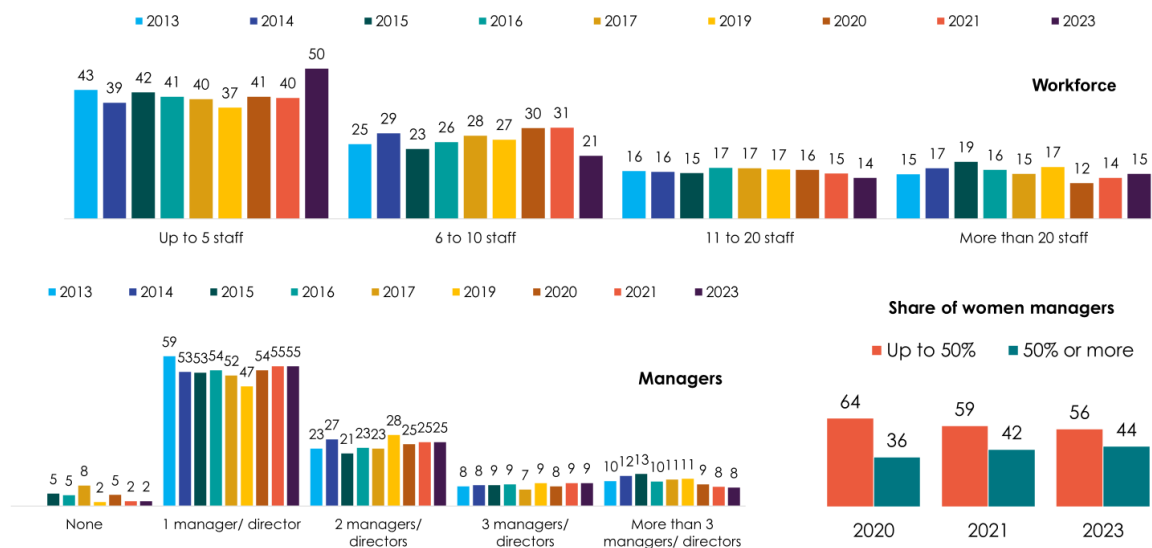
Currently, half of the Serbian economy comprises businesses are employing up to 5 individuals, while merely 15% boast a staff having or exceeding 20 employees. A shift from previous years is a significant increase in the number of companies with up to 5 employees and a corresponding decline in those with 6 to 10 employees.

Half of the companies surveyed are operated by a lone manager, whereas only 13% have three or more managers. Micro firms exhibit a high concentration of single-manager structures, constituting 75% of such entities.

**Comparison to Previous Surveys.** During the years 2015 and 2019, there was an observable trend where a greater percentage of companies had 20 or more employees, and there was an increase in the number of companies managed by three or more individuals. This suggests a period of growth or expansion in terms of both company size and managerial structure during those specific years. However, following the year 2019, there is a visible decline and regression in both the size (number of employees) and the managerial composition of companies. This decline implies a reversal of the previously observed trend, indicating that companies are now experiencing more difficulties in doing business, and respond by reducing the workforce, and consequently changing the number of managers overseeing their operations.

**Gender Diversity in Leadership.** Encouragingly, there has been a rise in the representation of women in managerial roles across Serbia.

XXXXXX



All figures are %

## Market Structure

**Export Dynamics.** After years of consistent performance, the current market scenario reveals a decline in the number of exporters, shifting from every fourth company to one in five. This is potentially influenced by global disruptions, such as COVID-19 and the Russian invasion of Ukraine, resulting in broken supply chains and localization of the economy.

The data demonstrates a direct correlation between company size and export orientation. Micro companies predominantly focus on the domestic market, with only 6% of their products exported. In contrast, medium and large companies export over 20%/40% of their products and services.

**Local Market Dynamic.** Compared to previous years, there is a higher placement of goods and services within the company's headquarters market, with a decrease in placement in other cities. This trend is attributed to a significant proportion of entrepreneurs, with 86% primarily focused on the market of the city where they are registered.

Examining the overall target population, 46% of companies exclusively operate in the city where they are headquartered, the highest percentage from the year 2013, pointing out increased market fragmentation.

Compared to previous waves, there is a reduction in the number of companies extending their market focus beyond the local context (54%). Micro firms stand out among those predominantly reliant on the local market, with 79% of sales concentrated in the city of registration.

Other characteristics of micro companies focused on local markets include reliance on own funds (81%), limited need for investments (81%), absence of expansion plans (80%), lack of a website (80%), non-engagement in internet sales (76%), and activity in the services (82%) and trade (79%) sectors. All these features underline a significant lack of micro companies' financial and digital skills and a fully localized approach to doing business.



Base: Total target population

**E-commerce Influence Export.** Consistent with past trends, companies utilizing e-commerce are less reliant on local markets, demonstrating a stronger orientation toward exports. Even non-exporters utilizing e-commerce are more likely to sell products throughout Serbia, indicating a broader market reach.

**Industry.** In alignment with the preceding surveys, the majority of companies are primarily engaged in the trade of diverse non-food products (17%), the provision of expert and professional services (15%), and the marketing of various industrial products (11%).

### Regional Export Focus:

Serbian companies continue to exhibit a strong export orientation towards the Western Balkans, although there's a slight decline in exports to neighboring countries compared to 2021. The markets of the EU and Russia are now observed separately, and although a conditional comparison is made, it suggests an overall increase in export activity to these countries.

Three-quarters of Serbian exporters are present in the markets of the Western Balkans, two-thirds export to the European Union, and 16% engage in exports to Russia.

Sales %	2013	2014	2015	2016	2017	2019	2020	2021	2023
National market (territory of Serbia)	93%	92%	91%	91%	91%	90%	90%	92%	93%
Export	7%	8%	9%	9%	9%	10%	10%	8%	7%
Hometown of your business	70%	67%	69%	68%	70%	68%	67%	69%	75%
Other towns/regions	30%	33%	31%	32%	30%	32%	33%	31%	25%
Former Yugoslavia countries/ Western Balkans economies	-	-	-	-	-	52%	46%	54%	49%
EU and Russia market	-	-	-	-	-	40%	45%	38%	-
EU market	-	-	-	-	-	-	-	-	41%
Russia market	-	-	-	-	-	-	-	-	4%
Other countries, rest of the world	-	-	-	-	-	8%	9%	8%	6%

What percentage of your products/services did you sell in the National market (on the territory of Serbia), and what percentage of the products/services did you sell in other countries? Speaking of National market (territory of Serbia), what percentage of your products/services did you sell in the town of your business headquarters, and what percentage do you sell in other towns/regions? And when it comes to the export to other countries, what percentage of your products/services did you sell in the markets of the Western Balkan economies, and what percentage did you sell in other countries (the EU, Russia, etc.), in 2022?

Base: Total target population

## Businesses Performances and Expectations

Encouragingly, around one third of businesses recorded positive changes in total revenue and profit in 2022, with 36% experiencing growth in total revenue and 34% in profit. These figures align with the pre-pandemic levels of 2019. A significant uptick is observed in the number of businesses reporting an increase in demand for their products in 2022.

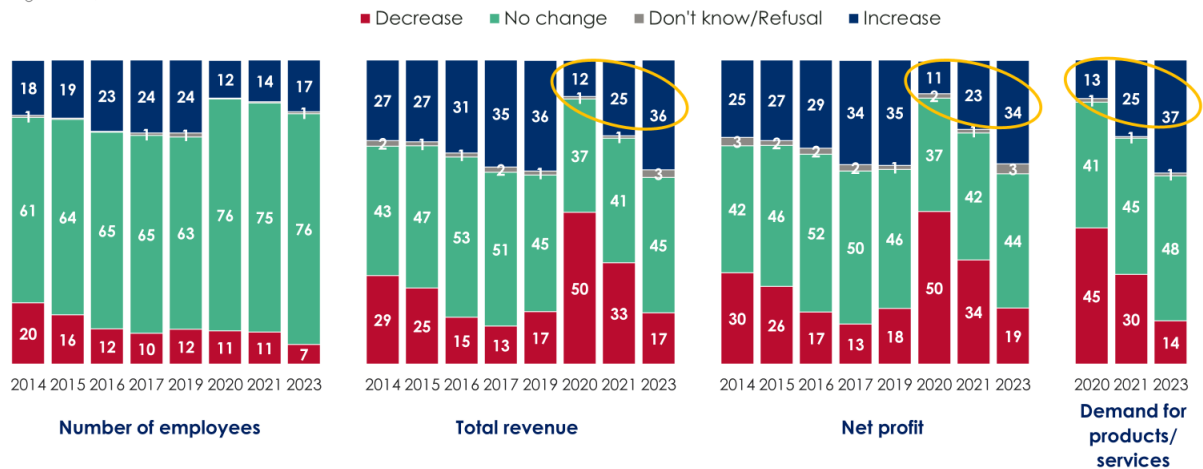
**Employee Trends.** While three-quarters of businesses maintained the same number of employees, the trend in hiring new workers has a lower pace compared to the period before the pandemic (17% versus 24%).

**Factors Contributing to Business Improvement.** Companies with a developed investment plan, those utilizing external sources of financing, expressing belief in the further development of their business, and headquartered in Belgrade report business improvement more frequently than others.

Representatives of small businesses, the focus of this project, emphasize increases in total income, profit, and demand to a greater extent than others. However, it is worth noting that they more often mention a reduction in the number of employees compared to the average.

Businesses engaged in internet sales report increased demand and profits more frequently than others, indicating the growing importance of this sales channel.

All figures are %



Would you say that the following aspects of business decreased, increased or there was no change?  
 Base: Total target population

These findings highlight positive trends in various aspects of future business expectations. The alignment of revenue and profit levels with pre-pandemic figures, increased demand, and positive indicators in business improvement, particularly among small businesses, underscores the resilience and recovery of the business landscape. Additionally, the growing importance of E-commerce is evident in its positive impact on demand and profits.

However, the increase of the number of employees is well behind other indicators. This aligns with later findings showing that companies are facing the lack of adequate workforce, and that the rising costs of doing business and the burden of taxes and contributions on salaries are among the most worrying constraints to doing business in Serbia.

**Consistent Optimism.** Expectations regarding the future business volume are consistent with the previous year. Businesses remain optimistic, with approximately half anticipating an increase in business activity, revenues, profit, and demand, significantly outnumbering those predicting a decline.

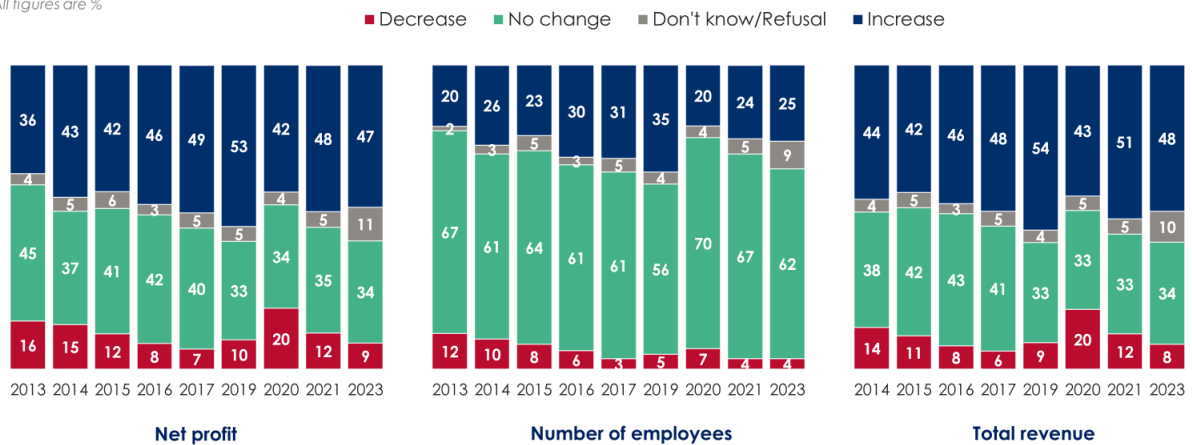
Still, less optimism is shown in estimations of employment. In 2019, 36% of surveyed companies believed that they would be engaging new employees, while 25% believed so in 2023.

**Factors Contributing to Optimism.** Positive expectations are particularly pronounced among businesses that have already experienced positive changes in the previous year.

Small businesses, exporters, those planning additional investments, relying on external financing, being more ready for bank loans, and having an online presence are among the groups anticipating more positive changes in their business than average.

**Sectoral Variations.** Companies in the trade sector, however, express a higher expectation of a decline compared to the overall average.

All figures are %



Would you say that the following aspects of business decreased, increased or there was no change?  
Base: Total target population

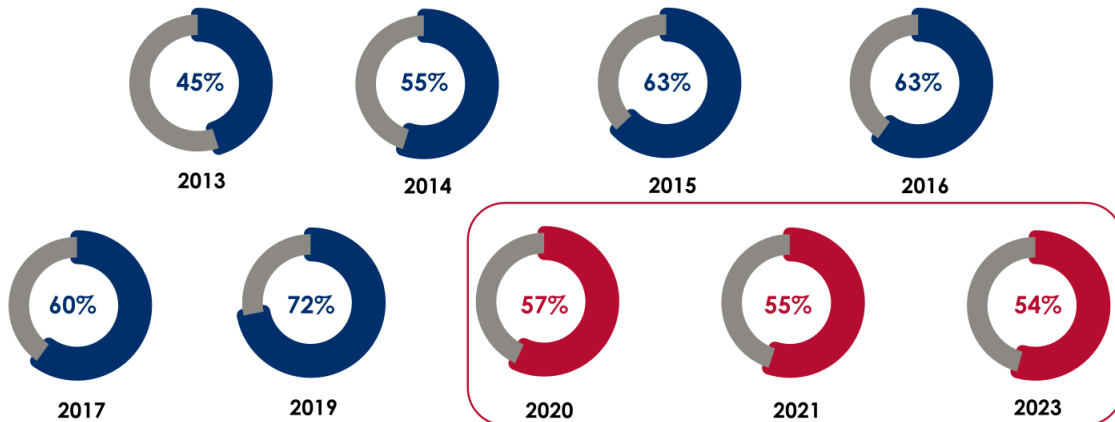
## Business Environment

**Transparency and predictability.** The perception of the business environment in Serbia has been inconsistent over the last decade, despite some periods of optimism. Although efforts have been made to improve transparency and predictability, recent years have seen a decline in businesses' positive perceptions.

Over the past three years (2020-2023), there has been a slight but stable decrease in the proportion of respondents who view the business environment as increasingly transparent and predictable. In 2020, 57% agreed, which decreased to 55% in 2021 and further to 54% in 2023. Although this decrease may seem small, it suggests a subtle change in business sentiment. Additionally, the perception has significantly declined compared to the year 2019 (72%).

Fluctuations in agreement levels may reflect changes in the economic and political climate in Serbia, which impact business confidence and perceptions of transparency and predictability. The recent decline could also be attributed to external factors like the pandemic and the war in Ukraine.

Partially agree + Agree + Completely agree

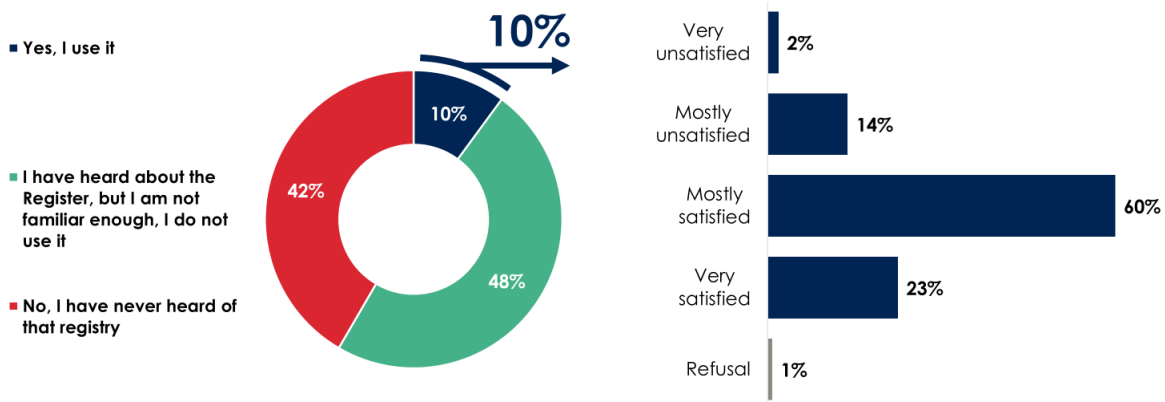


To what extent do you agree or disagree with the following statements? / Transparency and predictability for doing business in Serbia have increased in the past 12 months.

Base: Total target population

**Access to Information on Regulations and Regulatory procedures.** Serbian companies express confidence in their awareness of regulatory changes, with 83% indicating full or partial familiarity with alterations in laws and regulations. Medium-sized enterprises (74%) and businesses based in Vojvodina (57%) are more likely than their counterparts to assert a high level of understanding on this matter.

While more than a half of respondents are aware of the existence of the Register of Administrative Procedures (58%), the actual utilization stands at only 10%. Among those who do use it, the feedback is predominantly positive, with 83% of users expressing satisfaction. Such results emphasize the need for a stronger targeted promotion of the Register.



Are you familiar with the Register of Administrative Procedures?

Base: Total target population

Are you satisfied with the content of the Register of Administrative Procedures?

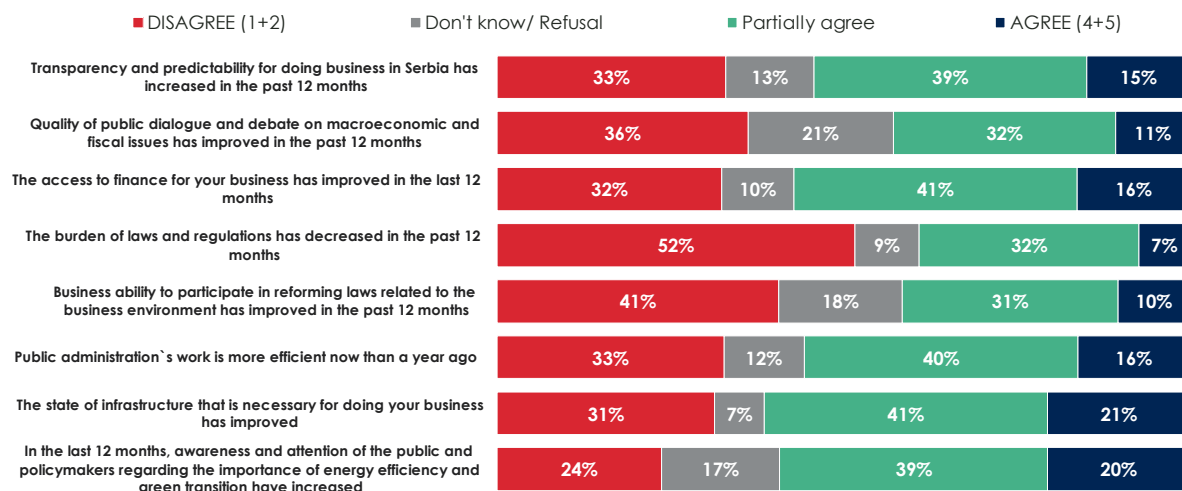
Base: Those who use the Register of Administrative Procedures (n=105)

**Overall Business Environment.** Reflecting on the business climate in the past year, businesses perceive the most significant progress in the infrastructure essential for their operations, with 62% agreeing, at least to some extent, that the situation has improved compared to previous years.

Nearly 60% of businesses hold the belief that there is a heightened awareness among public policy creators and the public on the significance of energy efficiency and the green agenda.

Conversely, every second company believes there has been no alleviation concerning laws and regulations. Companies with aspirations to invest but lack the financial means and businesses from Vojvodina express even clearer dissatisfaction with the regulatory framework – 61% and 64% respectively. This suggests a potential increase in the regulatory burden over the last two years, or a scenario where the overall cost of doing business has escalated to the extent that formerly acceptable regulatory costs have become too burdensome to bear.

Another poorly rated aspect aligns with the same domain, as 41% of surveyed businesses believe the business sector lacks greater and improved opportunities to participate in regulatory reforms. Again, those encountering investment challenges are more critical than their counterparts, with 48% expressing dissatisfaction in this regard.

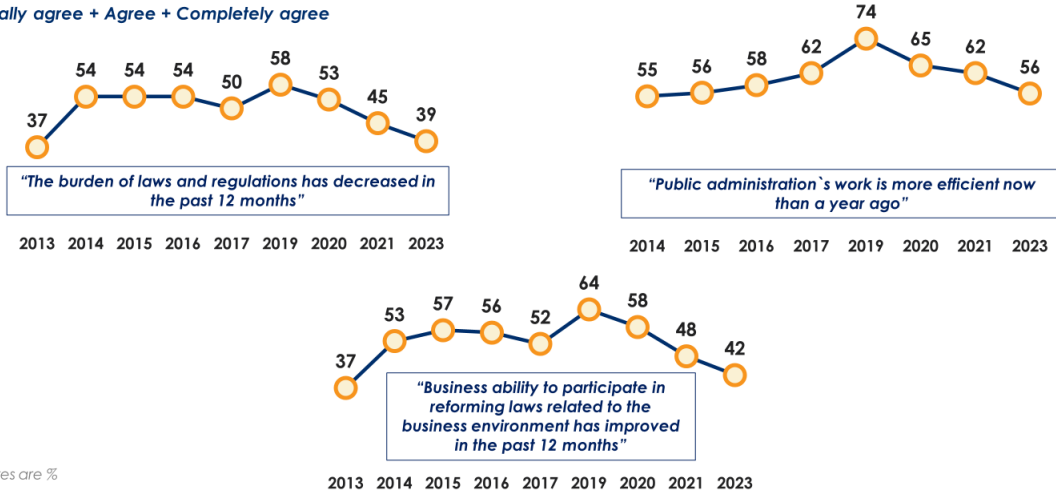


To what extent do you agree or disagree with the following statements?  
 Base: Total target population

**Declining Business Enabling Indicators.** Compared to previous years, there is an ongoing, steadily declining trend of those perceiving any improvement in the cost of fulfilling the regulatory requirements. It appears that the economy is increasingly encumbered by regulations and legislative constraints each year.

Similarly, the ability of businesses to participate in the regulatory reforms related to the business environment is on a continuing decline, a trend that began in 2020.

Partially agree + Agree + Completely agree



All figures are %

To what extent do you agree or disagree with the following statements?

Base: Total target population

The evaluation of the efficiency of public administration is persistently diminishing, nearing the 2015 levels. Still, more than half of Serbian businesses have a positive attitude toward public administration.

## C. REGULATORY ENVIROMENT

**Positive Assessments and Challenges in the Regulatory Landscape.** Favorable aspects of the regulatory environment include regulations in environmental protection and inspection supervision. There is also a slightly positive perception of procedures for implementing VAT control and filling out tax returns, with a neutral rating for the VAT refund procedure.

Traditionally, the most unfavorable aspects from an economic standpoint are taxes and contributions on wages, as well as non-tax charges such as various taxes and duties. Companies located in Šumadija and Western Serbia more frequently provide positive ratings for various regulatory items compared to those in other regions.

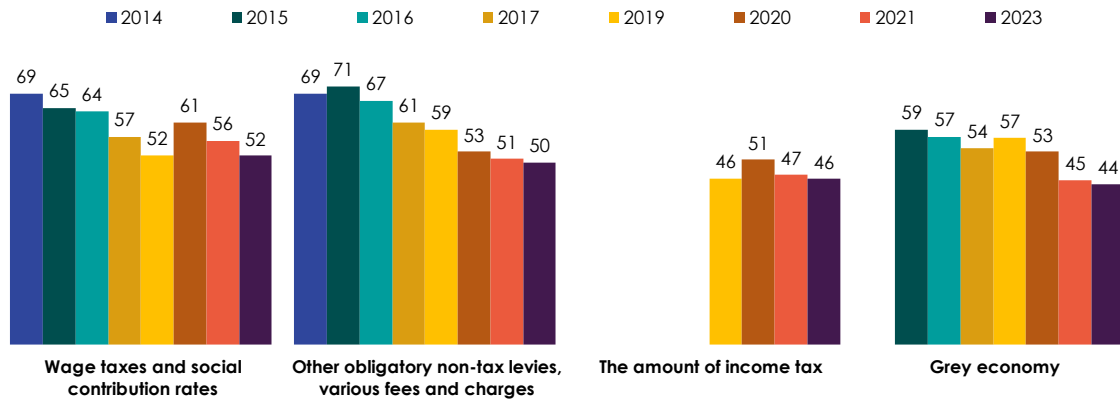
**Variance in Perspectives.** Exporters tend to have a more positive evaluation of procedures commonly used in business; such is the VAT refund. However, opinions are divided on procedures related to the import and export of products and services, with 24% expressing positive ratings and 26% indicating negative ratings. Entrepreneurs generally rate most aspects less negatively than the average, except for the segment directly affecting them - taxes and contributions for self-employed and entrepreneurial firms.

**Comparison to 2021 findings.** In comparison to 2021, there is a more negative assessment of market position abuse – monopolies, and import-export procedures, as well as a slight deterioration regarding inspection supervision and the submission of tax returns and compliance with tax obligations.

The perception of the influence of the gray economy remains largely unchanged, maintaining a similar level

1

All figures are %  
Very negative + Negative



Please assess the impact of the following factors on your business based on your experience in the past 2 years.  
Base: Total target population

## D. FACTORS IMPACTING BUSINESS COMPETITIVENESS

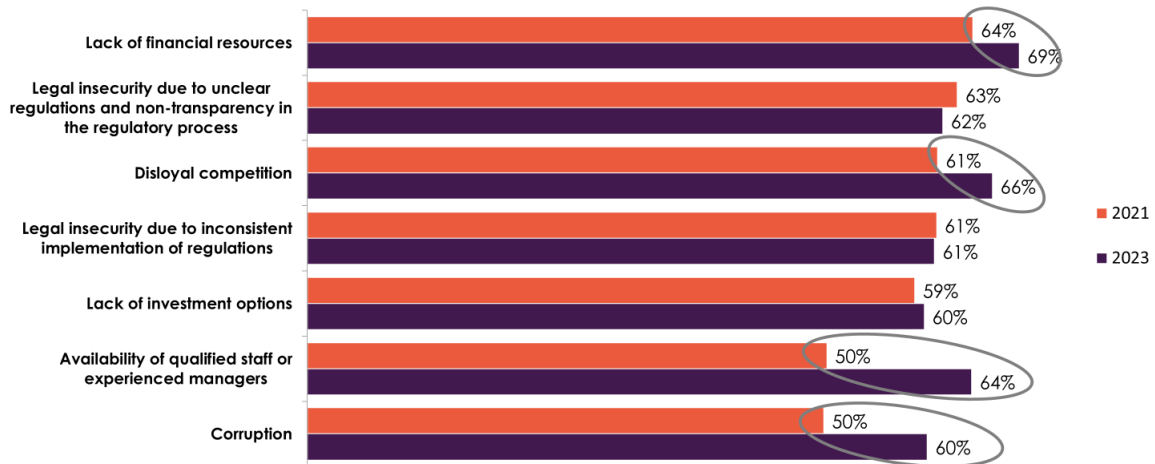
**Primary Barriers.** According to businesses, the most significant barriers to successful business currently include the increasing cost of doing business and concerns about a potential recession, followed by challenges related to unfair competition and political uncertainty.

**Factors Least Affecting Businesses.** Businesses show the least concern about monitoring technological development and innovation, possibly indicating a relatively positive outlook in these areas. However, when considering the findings related to the digital presence and awareness of Serbian businesses, it is more likely that, due to immediate challenges such as maintaining liquidity, insufficient financial resources, and a lack of an adequate workforce, businesses may not fully comprehend the importance of technology in the contemporary digital era.

**Variety of Perspectives.** Small businesses, companies based in Belgrade, and those exclusively financed with their own funds perceive most factors as more problematic than the average. The competitiveness of small businesses is strongly threatened by the lack of investment options and legal uncertainty arising from transparency issues and inconsistent application of regulations.

Businesses with a need for investments but facing challenges in realizing them, underscore the impact of various factors more often than their counterparts. Lack of financial resources and investment options emerge as particularly significant challenges for this group.

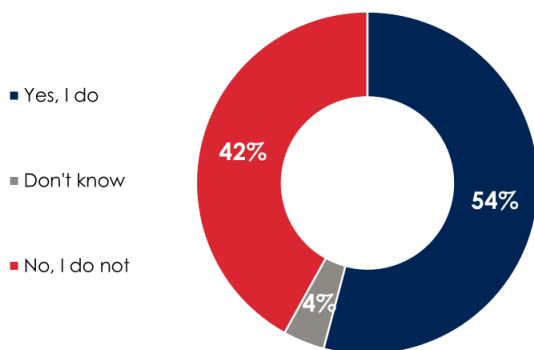
**Comparison to 2021 findings.** Compared to the year 2021, the lack of qualified workforce and financial resources, as well as corruption and unfair competition, are more often recognized as problems that affect business competitiveness.



Please evaluate to what extent the following factors impact the competitiveness of your business. / Moderate to strong impact (3+4+5)  
Base: Total target population

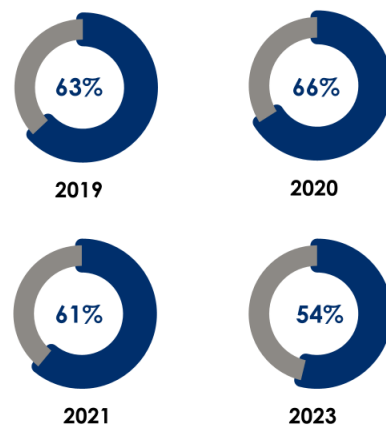
## Business Investment Sentiment

**Emphasis on the Need for Investments.** More than half of the companies underline the importance of investments, with a higher frequency observed among small and medium enterprises compared to other business sizes. The number of businessmen expressing readiness for further investments is slightly lower than in previous years. This trend is potentially linked to the increased number of entrepreneurs in the business landscape.



Do you currently need to invest in your business?  
Base: Total target population

Percentage of enterprises that need to invest in their business



**Increased Preparedness for Investment.** Approximately a quarter of businesses (27%) have investment plans and secured funds, marking an increase from the previous year's figure of 21%. Compared to the previous survey, fewer companies express reluctance to invest due to fear of a crisis, with the hesitancy rate decreasing from 25% to 17%. Small and medium-sized enterprises, along with exporters, optimists regarding business growth, and those engaged in online sales, more frequently report having developed investment plans and secured funds for implementation.

**Challenges.** Entrepreneurs and individuals lacking previous experience with borrowing from the banks more frequently express a contrary position to the overall sentiment, emphasizing the need for investments less often than the average. Enterprises engaged in production encounter difficulties in securing funds for investment to a greater extent than other business types.

## E. BUSINESS FINANCING - SERBIAN FINANCIAL LANDSCAPE

### KEY INSIGHTS

#### 1. **Financial Landscape and External Financing: Financial Landscape and External Financing:**

- Advance payments and trade credits, along with bank loans, represent the most important sources of external financing, while other segments of the financial market either do not exist or are used in negligible amounts. Commercial banks maintain dominance in the financial landscape, despite a notable demand for micro loans - those under EUR 25,000.

#### 2. **Underutilization of External Financing:**

- For over a decade, and still, a pressing concern centered around the underutilization of financial products, coupled with a prevailing reluctance or misunderstanding regarding the significance of external financing. Addressing these issues becomes paramount for fostering a robust and financially resilient business environment.

#### 3. **Debt Collection Challenges:**

- Only 43% of companies report the ability to collect debts within 60 days. This percentage has decreased by 25% from 58% in 2021. Moreover, over a quarter of the economy struggles to collect payments within the legal deadline of 60 days, underscoring lack of financial sophistication and challenges in managing receivables and ensuring timely payments.

#### 4. **Lack of Internal Procedures for Receivables:**

- Despite trade credits and advance payments being major financing sources, most companies lack internal procedures for managing receivables and monitoring collection risks. This deficiency may contribute to challenges in liquidity management.

#### 5. **Limited Experience with Equity Financing:**

- Only 5% of businesses report any experience with equity financing, emphasizing a low level of engagement in this financial avenue. Moreover, just one in ten companies express a willingness to sell a minority stake to a relevant partner, indicating restrained openness to external partnerships.

#### 6. **Interest in Digital Financing Solutions:**

- One in every five small companies demonstrates interest in utilizing short-term money lending options accessible through online platforms or business software, showcasing a growing inclination towards digital financial solutions.

## Background

Access to finance is a key ingredient for dynamic economic growth, enabling companies to expand their operations and invest in innovation and modernization. The problem of access to capital is one of the greatest problems that most of Serbian companies are facing, and this is especially relevant for micro/small companies or innovative startups as they inherently carry more risk and have a longer pathway to becoming self-sustainable.

Serbia has strict financial regulations and has traditionally depended heavily on conservative commercial banks as their primary source of financing. Although these banks play a crucial role in the financial ecosystem, their dominance has become a significant market failure. This reliance on banks is due to the underdeveloped capital market and limited early-stage financing options for businesses in the region. Additionally, banks in Serbia typically rely on collateral-based lending. They are very hesitant to approve loans to those without collateral, lack adequate skills in cash flow and revenue-based lending, and are unaware of the revenue potential that embedded lending represents. This cautious approach has resulted in a significant financing gap, especially for those without substantial collateral.

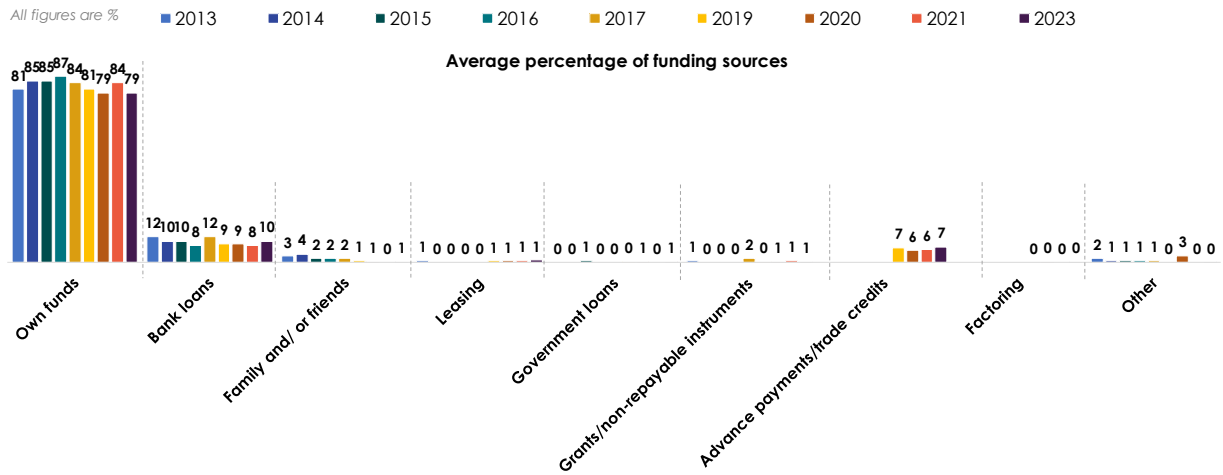
The financial regulatory framework is not explicitly adapted to the fintech sector and there is no specific legislation that governs the FinTech space. Hence, except for the significant rise in card usage and digital payments, fintech services have remained unexplored.

Equity financing is generally in limited supply, and the local PE and VC fund industry is significantly lacking development. In the same time, the global economy is under pressure (inflation, the war in Europe and the Middle East, climate change, supply chain disruptions, etc.). In response, the Western Balkan banking sector, a primary source of SME financing, has become more risk-averse in lending to small and medium enterprises (SMEs). Consequently, for new projects, banks increasingly require higher equity participation. This trend is expected to intensify after the implementation of Basel 4, the EU banking regulation, which will tighten banking regulations and capital requirements. There is growing concern about the potential negative impact on banks' capacity to lend to SMEs. On the other hand, the market has a lot of potential, as evidenced by the fact that 2 out of the top 10 private equity deals in Central and Eastern Europe (CEE) in 2021 were from Serbia, according to Invest Europe's annual report.

## Traditional Financing

Although the proportion of financing from own funds has recently dropped below the “psychological threshold” of 80%, and there has been an increase in bank loans, unfortunately, a small portion of the company's funding still relies on external sources. This implies that growth primarily depends on its internal financial resources, such as profits from the previous year or the owner's loans. In simpler terms, for every 100 dinars, a business owner, on average, contributes 79 dinars of internal funds when seeking to further invest in their business. This limitation hampers companies' ability to expand, enhance their competitiveness, and increases the risk of Serbia falling into the "middle-income economy trap."

**Advance payments and trade credits, along with bank loans, represent the most important sources of external financing**, while other segments of the financial market either do not exist or are used in negligible amounts.



What percentage of financing your business comes from...  
Base: Those who provided answers (n=996)

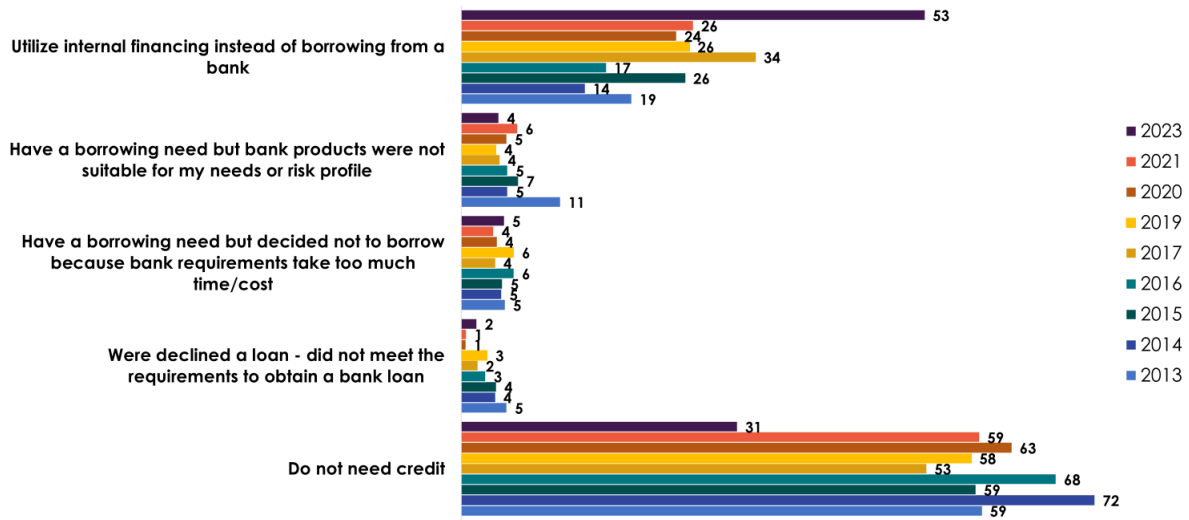
\*'Advance payments/trade credit' and 'Factoring' were initially introduced in the 2019 survey.

**One of the most concerning issues is the inadequate utilization of financial products, coupled with reluctance or misunderstanding regarding the significance of external financing,** as highlighted by the 'bar code' graph. When a company relies primarily or exclusively on its internal funds, it may hinder its potential for full growth. This recurring red flag signals the need to broaden the array of financial institutions and products that cater to the needs of the Serbian economy. There is an imperative to identify ways to support the economy, particularly the Micro, Small, and Medium-sized Enterprises (MSME) sector, in leveraging existing market resources. Furthermore, understanding their unmet needs will empower them to demand appropriate solutions with a compelling and assertive voice.

It is evident that larger companies, those that are more present on the internet and exporters, are more likely to use external sources of financing. This allows them to achieve faster growth and better distribution of funds and resources compared to those that are financed exclusively from their own funds.

It's worth noting that in the past year, only slightly over a quarter of businesses (28%) borrowed money from banks to support their operations. Small businesses (41%), exporters (41%), producers (37%), those anticipating growth (36%), and those with investment opportunities (39%) were more likely to seek loans.

**The main reasons for not borrowing remained the same – utilizing internal funds,** but there were some variations compared to previous years. The percentage of business owners who rely on their own funds doubled, while the proportion of those who do not require loans decreased by half. This finding may be due to the fact that the available financial products are not suitable for the economy, and they are "expensive" in particular, as over a third of the economy believes that borrowing costs have increased.



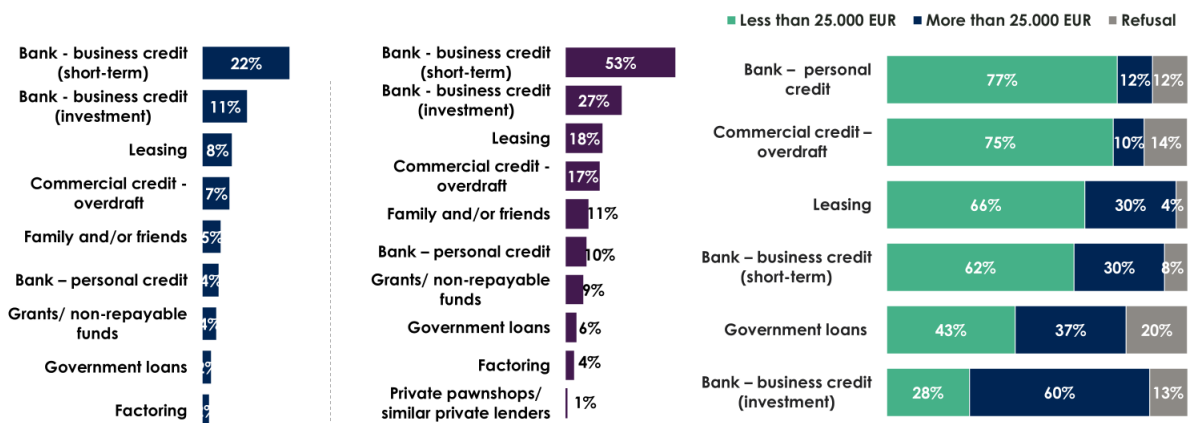
What was the primary reason you didn't obtain credit in the past year?  
 Base: Those that didn't obtain bank credit in last 12 months (n=710)

All figures are %

## Types and amounts of banking loans

When it comes to borrowing money, Serbian business owners tend to first approach banks and opt for short-term business loans. Investment loans are chosen half as often as short-term business loans. Leasing is the third most common borrowing model. However, it is noticeable that loans from individuals and informal loans from close acquaintances are twice as popular as before.

**There is a high demand for micro loans - loans under EUR 25,000.** Three out of four personal and commercial loans (allowed minus) were micro loans, up to 25,000 euros. Short-term business loans were also generally up to 25,000 euros.



Base: Total target population

Base: Those who took a concrete loan (different basis for different types of loans)

Who did you borrow money from to finance your business in the past 12 months?

Requested amount

This, and the following two findings indicate the importance of establishing a regulatory framework that would permit the development of institutions and digital solutions/platforms specifically designed to promote microcredit in the economy.

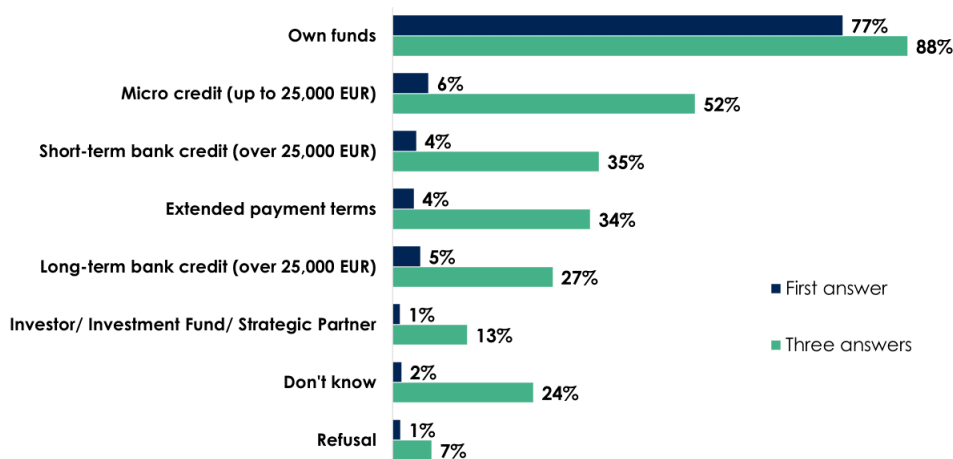
	2013	2014	2015	2016	2017	2019	2020	2021	2023
Average amount of money	100.089	37.070	83.771	98.738	176.586	114.676	220.464	157.616	66.254
Average amount of money – 5% trimmed mean	35.606	21.531	27.046	29.427	33.034	34.772	78.310	33.061	31.021
Median – amount of money	19.882	10.000	12.500	10.000	10.000	15.000	25.000	20.000	20.000

Approximately how much do you borrow from the bank annually in order to finance your business?  
Base: Total target population

If we exclude the year 2020, in which the state strongly supported the economy to cope with the consequences caused by the pandemic, practically nothing has changed in terms of the low level of indebtedness of our companies in the past 10 years, which certainly limits their further growth.

### Business financing plans for the upcoming period

If Serbian companies need money to expand their business in the upcoming period, they would continue to mostly rely on their own resources or micro loans.

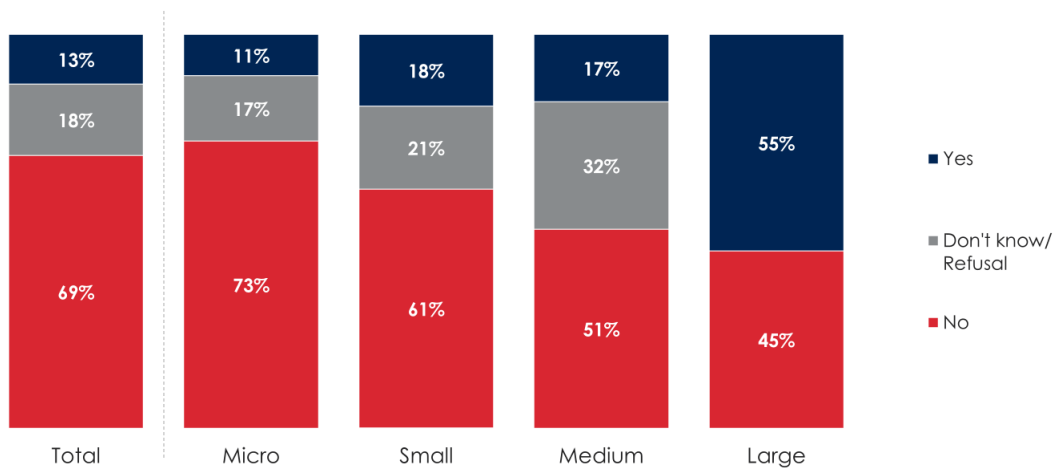


If you needed money to expand your business in the near future, what type of financing would you rather opt for? Please select three, and rank them from 1 to 3, by priority. / First, second and third answer  
Base: Total target population

After a gradual decrease in the percentage of businesses relying on internal funds to finance their future operations in 2020 and 2021, the percentage has returned to the level seen in 2019 as the economy recovers from the pandemic. This finding is not surprising, given that there has been no significant development in the financial market, which is still dominated by commercial banks accounting for over 90 percent of the market.

However, among those open to external financing in the upcoming period, the highest obstacle for them is high interest rates, which more than a third of these companies see as the main problem.

**As a result, a small number of business owners plan to take on debt in the upcoming period – only 13%.**



Do you plan to borrow money in the next 12 months?  
Base: Total target population

*n=3\* (small base for valid conclusions)*

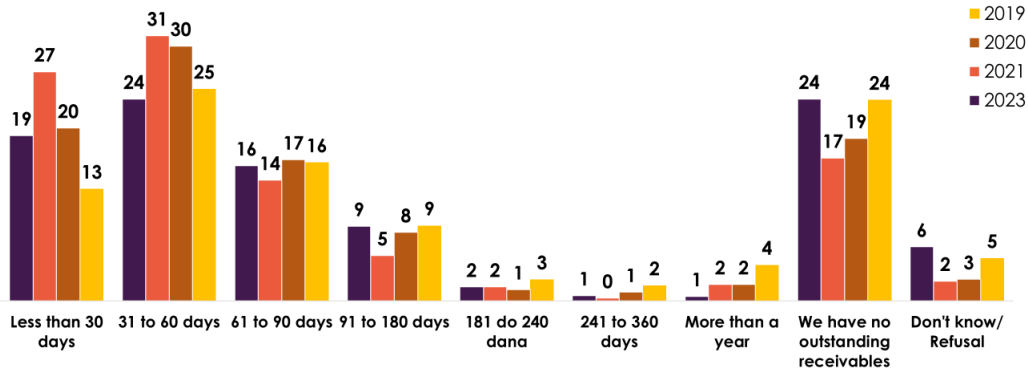
## Commercial Receivables

Many companies report that they are able to collect their debts within 60 days (43%). However, this percentage has decreased by 25% from 58% in 2021. In addition, more than a quarter of the economy is unable to collect payments within the legal payment deadline of 60 days.

Small companies are facing the toughest situation as 37.2% of them are waiting for payment of their receivables for more than 60 days, which is significantly higher than the average of 27.2%. Also, only 11.7% of small companies have reported having no outstanding receivables.

Additionally, there are significant differences between companies in Vojvodina, where only 16.3% of companies have no outstanding claims, compared to Sumadija and Western Serbia where this percentage is 30%.

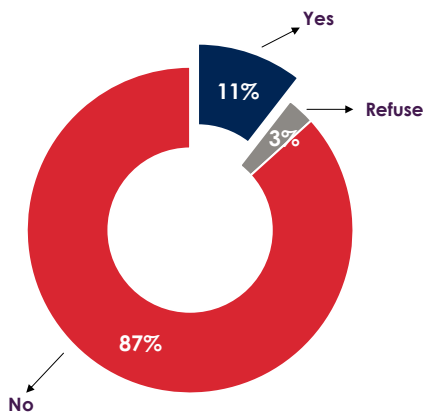
All figures are %



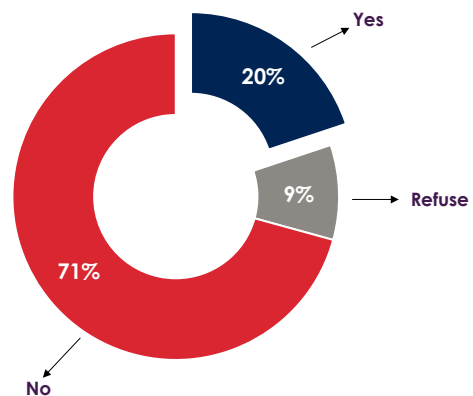
What is the usual duration of collecting outstanding receivables (from maturity date to payment date)?  
Base: Total target population

## Account Receivables as Source of Finance

Receivables serve as a crucial source of finance for companies, offering a means to optimize cash flow and access working capital. Through accounts receivable financing, which includes factoring and invoice financing, businesses can leverage the value of outstanding invoices to secure immediate capital, enabling them to meet operational expenses, invest in growth opportunities, and manage liquidity effectively. Our companies lack full awareness of this fact, with a large majority of them missing internal procedures for managing receivables and monitoring collection risk (87%). Nevertheless, the percentage of companies opposed to implementing guidelines for managing receivables has slightly decreased from 74% to 71% compared to 2021, but still too high.



Does your company use any form of grouping receivables in different categories in terms of their collectability („uncollectible receivable" and „suspicious receivable")?  
Base: Total target population



Would it be helpful if you had a manual/ online application with guidelines about how to manage your receivables, or how to collect them more easily and more cheaply?  
Base: Total target population

In short, the attitudes of the economy towards categorizing receivables and monitoring collection risks again are, to say the least, unusual. Although trade credits and advance payments represent one of the main sources of financing for the economy, and although liquidity is a significant problem, most companies have not developed internal procedures for managing receivables and monitoring collection risks. What makes this finding even more interesting is that nearly two-thirds of the economy believes that it would not be helpful for them to learn why this is important and how to do it, either through an application or a manual. This finding clearly indicates a lack of financial sophistication.

We believe that it would be essential for the topic of receivables management, business education and/or support for the development of receivables trading platforms to be on the list of priorities when considering support for the domestic economy. It is particularly concerning that data indicates that even after a severe liquidity crisis caused by the pandemic, the economy has not naturally turned to this issue.

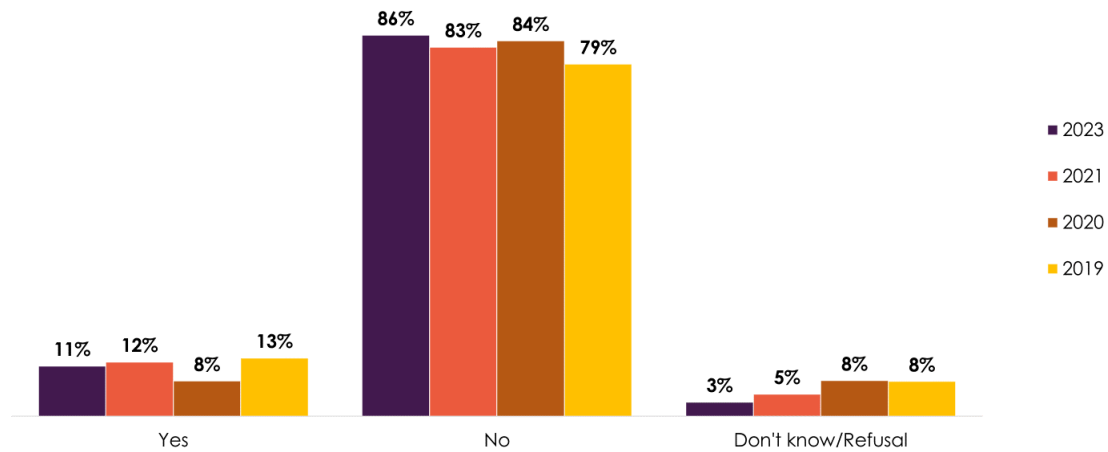
### **Alternative Source of Financing**

As previously mentioned, banks are the primary source of external financing for SMEs, leaving them with limited financing options. “Niche” banks and micro-financial institutions do not exist, while digital financing solutions and equity financing are underdeveloped within the recently established regulatory framework. High collateral requirements from the banks combined with ever growing uncertainty caused by the overall economic crisis might provide additional challenges in servicing existing debts, forcing many bankruptcies, closures and increase of unemployment and decrease of life standard. Restrictive regulation, such as the Law on Foreign exchange operations, limits cross-border transactions and digital financing and disables free capital flows. All these issues brought to the surface the necessity for systematic change at the country and company level to enable inclusive growth through alternative financing of Serbian companies. Without a developed alternative financing sources, small business owners and entrepreneurs have to spend a lot of time acquiring capital and resolving funding issues for their business. This results in a significant loss of creative and innovative energy that could otherwise be directed towards innovation and development.

### **Equity Financing**

According to Invest Europe, the total amount of private equity fund investments in Serbian companies in 2022 was only EUR 27 million. Moreover, there has been a significant decrease in investments in local startups from USD 53.6 million in 2021 to USD 13.7 million in 2023. This highlights a funding gap. Currently, there are no local private equity funds established in Serbia, and the venture capital fund industry is still in its infancy stage.

As a result, it is not surprising that only 5% of businesses reported having any experience with equity financing, and one out of ten companies is willing to sell a minority stake to a relevant partner.



Would you be willing to sell a share in company ownership to your relevant partner?  
 Base: Total target population

Exporters, companies that need investment or have a webshop, as well as companies in Belgrade, are above average compared to the rest of the economy in terms of readiness to sell part of the company's ownership to a relevant partner.

Undoubtedly, there is significant potential and a need for education in this area. First and foremost, companies need to understand how introducing new partners into the ownership of the company, adopting formal business procedures, and improving corporate governance can help them open up new markets, gain greater development opportunities, and increase productivity.

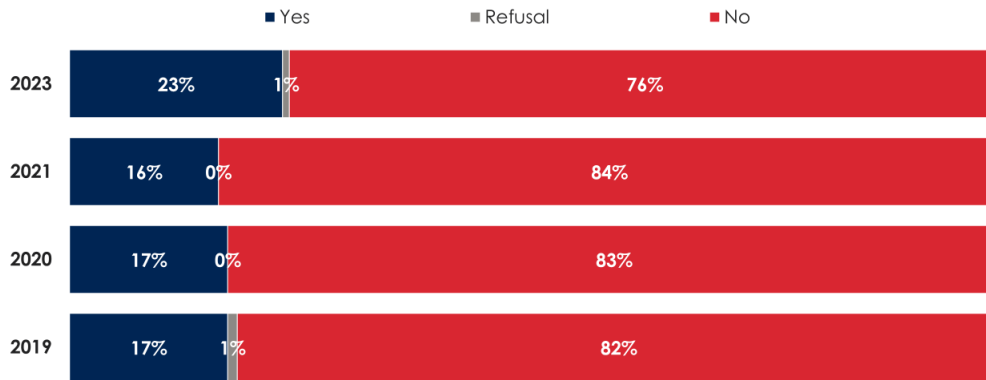
Moreover, since Serbian companies are often too small to attract regional or international PE funds, it is necessary to work on developing the local alternative investment fund industry, primarily PE funds. Namely, local SMEs usually seek investments ranging from several hundred thousand euros up to a maximum of 1 or 2 million euros, which falls below the minimum investment requirement for foreign funds. This gap clearly highlights the urgent need for the establishment of local PE funds with investment criteria adapted to local SMEs.

## Preferences for new technological financial solution for business financing

### Crowdfunding

In Serbia, the first crowdfunding platform, Ventu.rs, started operating only at the end of 2020. This is a financial-marketing product used to achieve the growth of a company. Through crowdfunding platforms, companies provide investors with the opportunity to invest in their business, thus obtaining the funds needed to finance a new project. These are loans from investors that have the characteristics of subordinate debt.

Even though this is a completely new source of financing, the familiarity with crowdfunding has significantly increased compared to previous years, and now almost a quarter of the economy claims to be familiar with crowdfunding/crowdinvesting.



*Have you heard of/ do you know what Crowdfunding is (a way to finance projects or enterprises by collecting donations from many people who give relatively small sums, usually via the internet)?*  
 Base: Total target population

Data indicate that a lot has been done in the targeted promotion of this product because those parts of the economy that it is primarily intended for - small and medium-sized businesses, companies open to external sources of financing, companies that have developed digital marketing (or at least have good potential for digital marketing) - are the most familiar with it. Companies from Belgrade are two to three times more familiar with this product than companies from the rest of the country, indicating the need to bring this product closer to companies from other parts of the country.

### Factoring

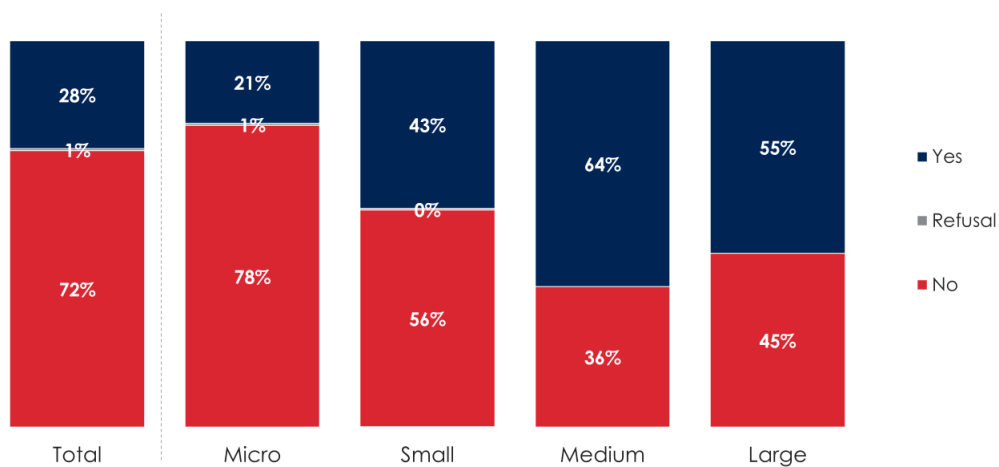
After Covid-19 hit the world economy in 2020 and 2021, we are now facing the effects of the war in Ukraine, Middle East and other geopolitical turbulences that have impacted trade and have exacerbated the problems which had already arisen during the pandemic: lack of raw materials, higher energy costs, and inflation rates with a consequent increase in prices of goods and commodities. The factoring industry has proved its resilience. Pre-pandemic levels have been reached, and we witnessed the best year in 2022 ever recorded for factoring industry in Serbia (the growth rate in the year 2022 amounted to 45,2%<sup>1</sup>). The significant increase in factoring turnover in 2022 shows that the market is recovering. It also indicates that business owners and banks are more actively recognizing and accepting the benefits of this financing method.

The factoring market in our region has a high growth potential. In Serbia, factoring turnover contributes around 2% to the national GDP, while in other European countries, it is closer to 10%. This implies a secure opportunity for growth that could result in a four to five-fold increase.

<sup>1</sup> Annual Report on Factoring Turnover for the Year 2022 by the Factoring Development Section within SCC.

In support of the undeniable potential of this industry, it is worth noting that in the last three years, three online factoring platforms have appeared on the financial market in Serbia - Finspot, Peterhof faktoring, and Instant faktoring, allowing businesses to sell their invoices at the same time when they need financial resources.

Although these platforms are relatively new, over 40% of small and over 60% of medium-sized companies are familiar with their work. This example shows that when there is a great need for a product (in this case, solving liquidity problems), the market quickly educates itself. Similarly to crowdfunding, financially and digitally literate companies, including export companies, are more familiar with online factoring than the average business.



Do you know how online platforms work for factoring in Serbia? They allow you to sell your outstanding invoices and receive the necessary funds instantly.  
Base: Total target population

n=3\* (small base for valid conclusions)

To further develop factoring, it is necessary to recognize the specificity of factoring and improve the legal and regulatory framework<sup>2</sup>. This includes regulations in the field of anti-money laundering, foreign exchange law, payment terms, improvement of judicial practice related to debt collection and protection of creditors. Additionally, continuous education for entrepreneurs, employees, regulatory bodies, and other participants is required. The development of the domestic market for receivables insurance, as well as the improvement of the functionality of the System of E-Invoices (SEF) Factoring for performing factoring services are also essential. Finally, further development of existing products and the possibility of introducing other factoring models, such as Silent factoring, should be explored.

### Embedded Lending

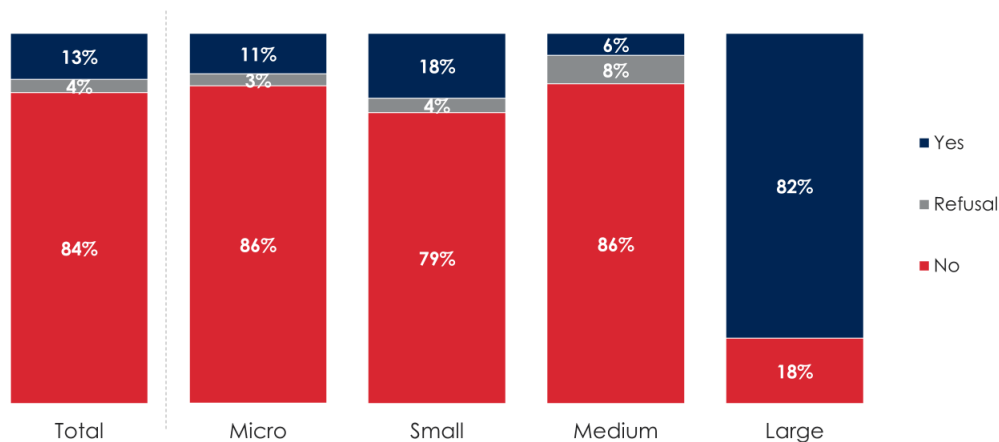
Embedded lending has emerged as a powerful tool for promoting financial inclusion, particularly for traditionally underserved segments of the business community, such as micro-small businesses, women-owned enterprises, and those lacking collateral or robust financial standings. By seamlessly integrating financial services into various digital platforms (e-commerce marketplaces, payment platforms, business software and

<sup>2</sup> Annual Report on Factoring Turnover for the Year 2022 by the Factoring Development Section within SCC.

applications, etc.), embedded lending enables easier and more cost-effective access to essential financial products like loans, cash advances and factoring. This innovative approach removes many traditional barriers to entry, offering a lifeline to businesses that may have struggled to secure financing through conventional banking channels. As a result, embedded finance not only levels the playing field for underserved groups but also contributes significantly to their economic empowerment, fostering entrepreneurship and economic growth in diverse and previously marginalized business sectors.

Although embedded lending for businesses is not yet available in our country, one out of every five small companies is already interested in utilizing short-term money lending options if they are accessible through the online platforms or business software they use, such as e-commerce and payment platforms. This represents a very positive signal for the need of this method of financing, as it primarily benefits micro and small companies.

*If short-term money lending options were accessible through the online platforms or business software you use (such as e-commerce platforms and payment platforms), would you consider utilizing them?*



*If short-term money lending options were readily accessible through the online platforms or business software you use (such as e-commerce platforms and payment platforms), would you consider utilizing them?*  
Base: Total target population

*n=3\* (small base for valid conclusions)*

Moreover, companies that have internet sale (19,3%), have borrowed in the last 12 months (18,2%) or have investment plans but are having trouble obtaining financial funds (19%), stand out above average.

## Conclusion

Serbian financial markets are not able to sufficiently finance SMEs. Even though a robust SME sector is critical to economic development, SMEs potential as engines of broader economic growth is being stifled, as is reflected by low rates of economic growth and high rates of unemployment. SMEs' contribution to value-added and exports remains disproportionately low as they struggle to move into or expand high-value-added activities. Access to finance is a major obstacle to achieving progress.

Given the limitations and challenges associated with traditional commercial loans available through banks, particularly for SMEs, improving the availability and utilization of a more diverse range of financial instruments, services, and/or providers, and expanding the FinTech solutions offers an opportunity to unlock their untapped potential.

However, it is important to highlight that our economy has not fully embraced the idea that companies cannot reach their maximum growth potential by relying solely on internal funds. Currently, there is still a reluctance in our economy towards borrowing, accompanied by a misconception that debt is entirely negative. In reality, there is a healthy level of debt that can be determined through financial analysis and planning. This concept is known as financial leverage, which refers to the optimal balance between a company's debt and capital. Therefore, increasing awareness, understanding, and utilization of formal financial services is crucial, especially among small and medium-sized companies.

## F. DEVELOPMENT STRATEGIES AND DIGITALIZATION

### **Online Presence:**

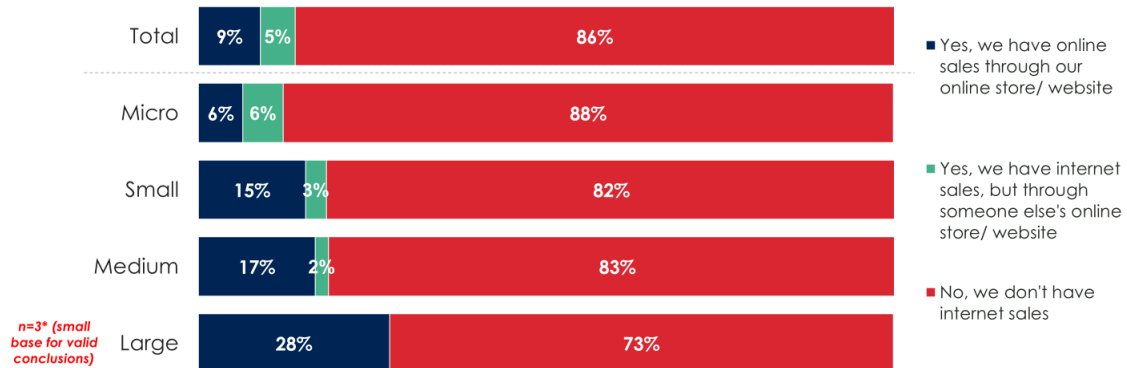
Despite the increasing significance of digital presence for business operations, a considerable proportion of smaller businesses, especially micro-enterprises, lack even a website. This indicates clear gaps in digital adoption at this scale.

The probability of a company having an online presence is higher with the increase in its size. While only 44% of micro-businesses have a website, this number rises to 64% for small businesses, 91% for medium businesses, and reaches 100% for large businesses.

### **Internet Sales**

Internet sales have become an essential aspect of modern commerce. However, many Serbian businesses, particularly smaller ones, have yet to fully embrace this channel. For those who engage in internet sales, owning their online store or website is the preferred approach. This suggests a lack of clear business understanding of how to optimize business processes, utilize all available sales channels, and the necessity of partnerships to succeed in business.

There is a considerable variance in Internet sales adoption across businesses of different sizes. Larger companies have a higher rate of online sales presence compared to micro, small, and medium-sized businesses. Most companies across all sizes that engage in internet sales have their online store or website. Utilization of third-party online stores or websites for internet sales is minimal across all business sizes.



Does your company engage in internet sales/selling products or services online (either through your own online store or a third-party platform)?  
 Base: Total target population

The significantly higher percentage of large enterprises (27.5%) with their own online sales platforms reflects the greater resources, strategic capabilities, and self-confidence of larger companies. The absence of large enterprises using third-party platforms for online sales may be due to their ability to successfully drive traffic to their sites, thus maintaining greater control over the customer experience and potentially higher profit margins. However, this can also be attributed to their lack of recognizing the importance of being present across the available selling streams (*please see the textbox*).

Smaller businesses have limited market reach or operate in niches where online sales channels are not yet prevalent or considered essential. Also, micro and small businesses often face resource constraints that hinder the development or maintenance of an online sales presence, including digital literacy and technical expertise, financial resources, and time. Additionally, there may be a perceived lack of value or urgency in establishing an online presence among smaller businesses, possibly due to their customer base, product type, or the perceived complexity of moving online. But the lack of awareness and understanding of the potential of online sales channels we believe is the greatest issue.

The increase in online sales for small and medium enterprises compared to micro-enterprises indicates a growth trajectory as businesses expand. However, the still predominant lack of internet sales among them suggests that while they have more capacity than micro-enterprises, they may still face a significant lack of understanding or barriers in fully integrating online sales

### **Marketplace Awareness:**

While many companies are aware of online marketplaces, only a small percentage of them use these platforms to sell their products. Just around 5% of businesses are actively offering their services on marketplaces.

Larger companies tend to be more familiar with online marketplaces and are also more likely to sell on them, compared to micro, small, and medium-sized businesses.

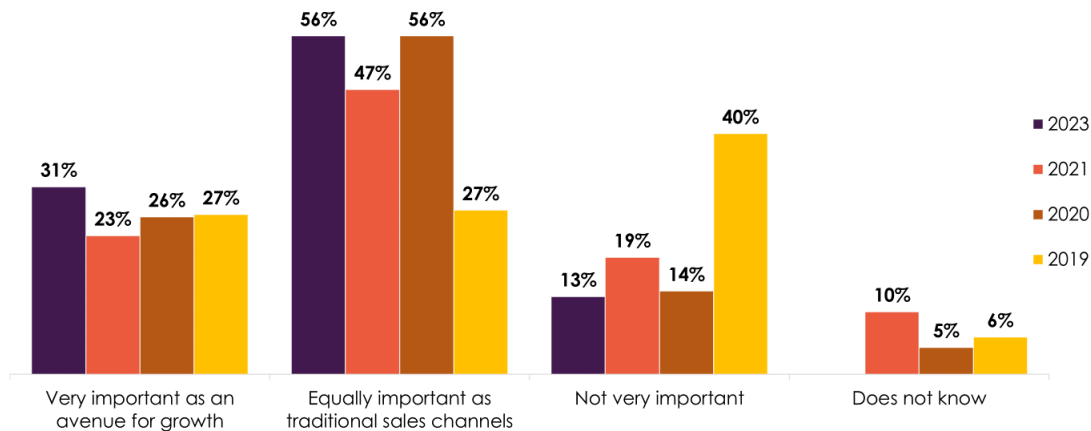
One of the main reasons for this is the lack of understanding and recognition of the clear growth potential that comes with engaging with this still relatively new business model in the domestic market.

into their business models, especially through the third-party platforms (marketplaces), as the most optimal business model in such case.

The data reflects broader global trends where smaller businesses often struggle to compete in the digital marketplace against larger, more established players. Strategies for digital transformation initiatives should focus more on the needs and capabilities of smaller enterprises in Serbia.

## Significance of E-commerce for Performance

There is a clear trend towards the normalization of e-commerce as an essential component of business sales strategies. Companies are not only recognizing the importance of e-commerce, but they are also placing it on an equal footing with traditional sales avenues. This indicates an evolution in business models, where a hybrid approach to sales is becoming the new norm.



*How important is your web shop as a sales channel for your company?*  
 Base: Those who have web shops (n=143)

Businesses are increasingly acknowledging the significance of online sales. The number of companies that consider e-commerce as unimportant has decreased from 40% in 2019 to 13% in 2023. This reduction indicates successful e-commerce experiences and a wider acceptance of its necessity in a digital economy.

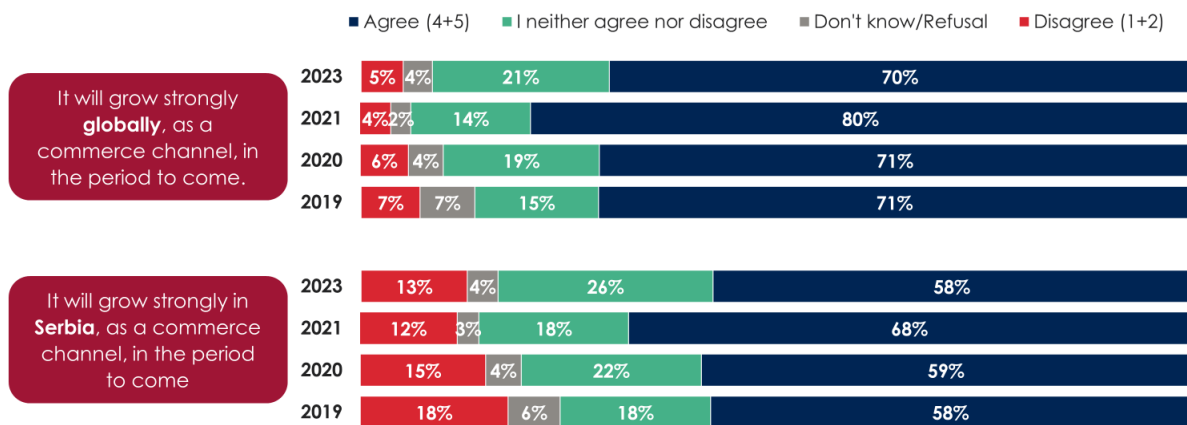
The fact that the vast majority of companies with web shops believe in the importance of e-commerce underscores its critical role as a sales channel in the modern economy. This recognition is driven by the extensive reach, convenience, and cost-effectiveness of online sales platforms, as well as consumer trends that increasingly favor online shopping.

Most companies with web shops embrace e-commerce as a response to competitive pressures. In many industries, the ability to sell online is not just an advantage but a necessity to remain viable and meet customer expectations for accessibility and service.

## Relevance of E-commerce in Serbian Enterprises

While there is a consensus on the growth of e-commerce, there are nuances in the level of optimism. Across both global and Serbian perspectives, there was a notable spike in 2021. The high point in 2021 suggests that businesses experienced or anticipated a surge in e-commerce due to the COVID-19 pandemic, which necessitated a shift to online platforms as consumers were restricted from in-person shopping. The subsequent decline in 2023 indicates that businesses expect a stabilization or a return to pre-pandemic patterns as the world adjusts to a new normal and in-person commerce resumes.

The steady anticipation of e-commerce growth, despite the slight decline in optimism, may imply that e-commerce has become a normalized element of business operations. When focusing on Serbia, the confidence in strong e-commerce growth shows a slight decline from 68% in 2021 to 58% in 2023. The optimism in Serbia has generally been lower compared to the global outlook, which could be because of market-specific challenges and a slower rate of digital transformation.



How do you generally feel about the relevance of e-commerce?  
Base: Total target population

The data also shows a significant portion of respondents in 2023 neither agreed nor disagreed with the strong growth of e-commerce or not knowing/refusing to answer, particularly in Serbia (26%). This may suggest uncertainty about the future of e-commerce and, a lack of domestic knowledge and understanding of the future development in e-commerce trends (please see the textbox).

### Webpages and Web-shops

It is concerning to see that half of the companies in 2023 do not have a web presence. What is even more worrying is that a vast majority of these companies (almost 4 out of 5) have not even considered creating an online presence.

This suggests a significant lack of awareness or perceived necessity among these businesses. This is contradictory to the belief that e-commerce will grow strongly, both globally and in Serbia, leading to what is known as the "Serbian paradox."

However, in the last two surveys, there has been a slight increase in the percentage of companies that plan to create a web presence in the future. This indicates a gradual shift towards recognizing the importance of online accessibility for businesses.

**Market Structure.** Having a web presence is very important for accessing markets, as per the analysis of companies' market structure. Key highlights:

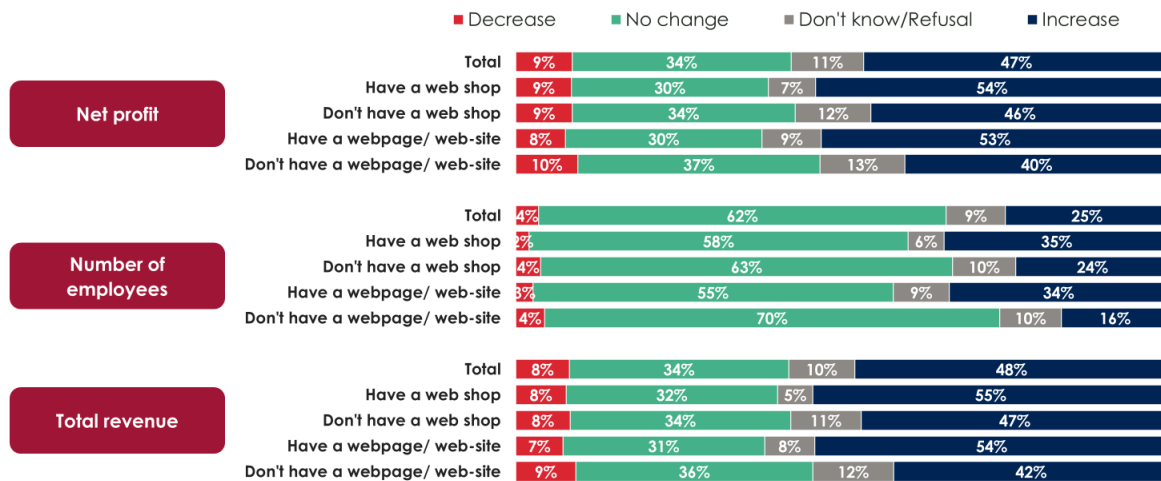
- ✓ Companies with a web-shop report slightly higher export rates (8%) compared to those without a web-shop (7%). This implies that having an online sales platform provides a small but significant advantage in reaching global markets.
- ✓ Businesses that possess a website without a web-shop have the highest export rate of 10%, suggesting that having an online informational presence alone helps in engaging with international customers.
- ✓ Despite having a web presence, the majority of businesses remain heavily reliant on the domestic Serbian market, with at least 90% of their sales being domestic.
- ✓ Companies without any web presence have the lowest rate of exports at 5%, reinforcing the trend that web-based capabilities are linked to an increased capacity for engaging in international trade.
- ✓ Businesses with a web shop tend to reach a wider audience within Serbia, achieving 32% of their sales in cities or regions outside their hometown, compared to those without any web presence, who report only 20% of sales outside their local area.
- ✓ This data suggests that having an online sales platform correlates with a wider geographic distribution of sales within the national market, indicating that an online presence can expand a company's market reach beyond its immediate locality.
- ✓ Companies with a web shop have a higher inclination towards exporting to Western Balkan economies, with 55% of such companies exporting to this region. This indicates that online sales platforms facilitate regional trade.
- ✓ In contrast, companies without any web presence have the lowest export rates to the Western Balkans at 38%, suggesting that a lack of online infrastructure may be a barrier to reaching these markets.

## Expectations for the Next Year

There is a strong correlation between a company's web presence and its expectations for growth in net profit, employee numbers, and total revenue. Companies with an online presence are more optimistic about their prospects, which can be attributed to the advantages offered by digital sales channels. In today's business environment, digital transformation is crucial for building confidence and expanding growth opportunities.

Furthermore, research shows that companies with a web-shop are more optimistic about products/services, with 57% expecting an increase in demand. This is higher than companies without a web-shop (47%) or a webpage/website (54%). Similarly, businesses with a web-shop also have significantly higher expectations for an increase in the number of different products/services offered (42%) compared to those without any online presence (29%). This suggests that online platforms are linked to both expanding market reach and product/service diversification.

Companies with a web-shop are also more optimistic about their financial future, with 54% expecting an increase in net profit compared to those without any web presence, where only 40% expect an increase. Expectations for increasing total revenue are higher among companies with a web-shop (55%) versus those without a webpage or site (42%), reflecting the potential revenue-generating impact of e-commerce. Accordingly, a higher percentage of companies with a webpage or web-shop anticipate growth in their number of employees, suggesting that an online presence might be linked to positive employment prospects.



Now I will ask you about your expectations in the next 12 months regarding various aspects of business, and I kindly ask you to tell me if you expect an increase, decrease, or no change in that area/aspect. What are your expectations for the next 12 months regarding...

Base: Those who don't plan to close the company (n=1040)

39

Having a web presence gives companies an edge in terms of market reach and sales, translating into a more optimistic outlook for financial and employee growth. Companies with a web-shop may have experienced better resilience during market fluctuations, such as those induced by the pandemic, and are therefore more confident in future growth. The expectations reflect broader market dynamics where digital channels are increasingly seen as critical for business scalability and reaching a wider customer base.

In summary, Serbian enterprises with a web presence anticipate strong growth and the positive impact of digital commerce on their overall business performance. Such companies are capitalizing on the advantages of e-commerce, such as lower overhead costs compared to physical stores, and a 24/7 open-for-business model, which leads to increased sales opportunities. The

### Need for Investment in the Enterprise

Companies that sell their products or services online require more investment to fuel their expected growth and expansion, almost double that of companies without an online presence. Around 39% of companies with a web shop have investment plans compared to only 21% of those without any web presence. This indicates a correlation between having an online sales platform and pursuing growth through investment.

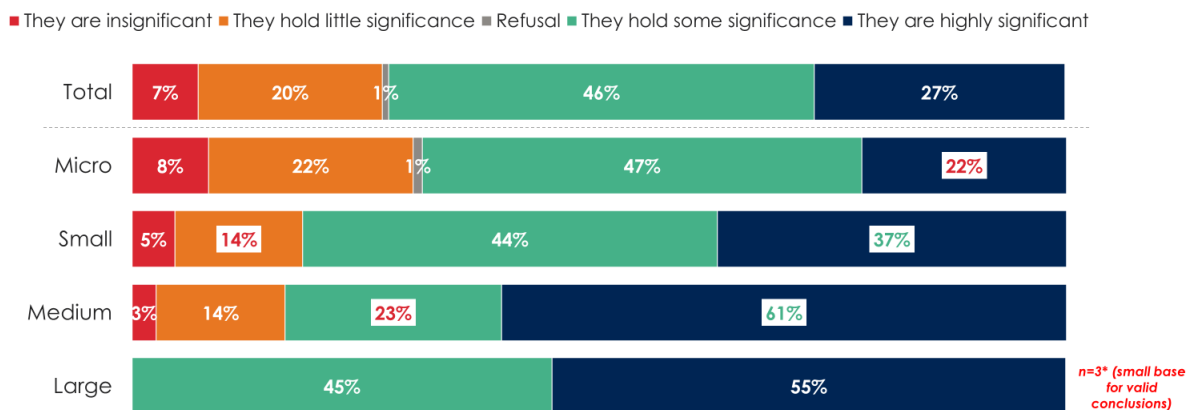
Despite recognizing the need for investment, a significant portion of companies, across all categories, express concerns about crises or lack of adequate funding sources. These concerns reflect the challenges businesses face in financing their development and expansion strategies.

correlation between having a digital presence and expecting business growth also indicates that these companies are more adaptive and forward-looking, traits necessary for success in the increasingly digital global economy. By aligning themselves with this trend, they position their businesses to take advantage of the growing preference for online transactions among consumers.

## G. EXPERIENCE WITH NEW TECHNOLOGIES

The data shows that there is a strong connection between the size of a company and its perceived importance of new technologies in Serbia. Medium and large businesses are more likely to prioritize the significance of new technologies, which can be attributed to their greater capacity for and reliance on technological advancements to sustain and scale their operations. On the other hand, micro and small businesses might have a more cautious or resource-constrained approach to adopting new technologies. This insight can guide policy and investment decisions, particularly in encouraging technological adoption among smaller enterprises.

Nearly three-quarters of businesses acknowledge the importance of new technologies, with a considerable proportion considering them highly significant. Medium-sized companies place the highest importance on new technologies, with 61% considering them highly significant. However, large companies also acknowledge the high significance of new technologies at 55%. In contrast, small businesses are more moderate in their view, with 37% finding new technologies highly significant, and micro businesses, while still acknowledging their importance, place less emphasis on them, with only 22% considering new technologies highly significant.



How important do you think new technologies are for your company's operations? These can include new machines, devices, tools, software, and the knowledge and skills of personnel equipped with such new technology.  
Base: Total target population

% % Significantly higher/lower vs total sample

Medium and large businesses may have more resources to invest in new technologies, which is why they recognize their high significance. Larger companies may also face more complex operational challenges that new technologies can address, thereby assigning greater importance to them. Micro and small businesses, on the other hand, might prioritize immediate operational concerns over investment in new technologies due to limited capital or the perceived immediate benefit.

## Implementing New Technologies in Business

Despite the vast majority recognizing the importance of the new technologies, unfortunately, only 25% of the companies surveyed have integrated new technologies into their operations, showing proactiveness in modernizing and potentially leveraging on a competitive advantage.

Sadly, 43% of the surveyed companies do not have any plans to adopt new technologies. This is due to various factors such as lack of knowledge and understanding, satisfaction with current processes, or resource constraints. However, a significant 31% of companies are planning to implement new technologies, indicating a strong commitment to innovation in the future.

### Barriers to Adopting New Technologies:

According to the survey, 70% of respondents believe that new technologies are not necessary for their business operations, which is the main barrier to adopting new technologies for companies. This suggests that companies are strongly underestimating the benefits that such technologies can bring. This is an unfortunate finding, as it highlights the internal barriers to further developing the largest part of the Serbian economy.

**Objectives of Adopting New Technologies.** The major objective of companies that are adopting new technologies is to enhance their existing products and services, which has been cited by 48% of the companies. This indicates that they are focusing on improving the quality and features of their current offerings to add more value to them.

Other significant goals include developing new products and services (40%) and strengthening customer relationships (39%). This suggests that innovation and customer engagement are the key drivers behind technology investments.

**Benefits of Adopting New Technologies.** The top reported benefit of adopting new technologies is the acquisition of new clients, with 55% of businesses recognizing this advantage, suggesting that technology is a key driver in expanding customer bases.

Increased profits follow closely as a benefit, cited by 50% of the companies, indicating that new technologies are also associated with higher financial returns, which can be attributed to either increased revenue or operational efficiencies.

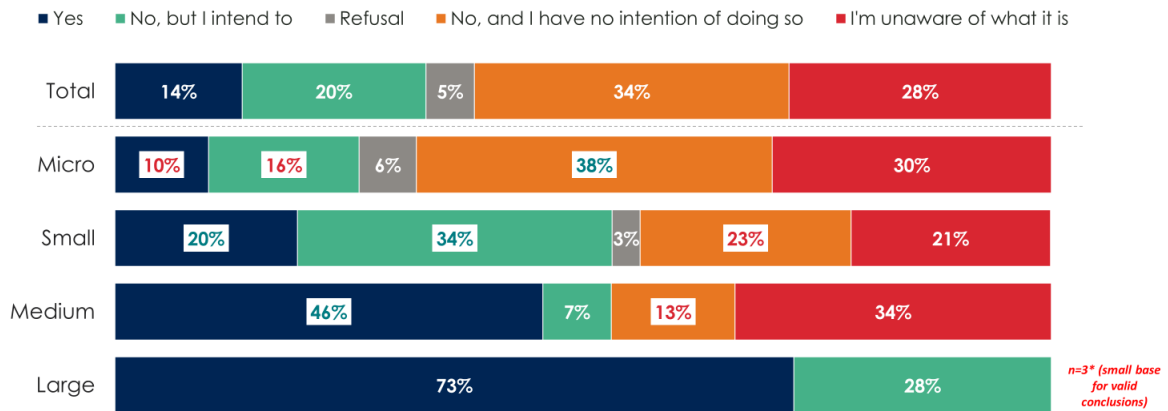
## **Incorporating ESG principles into business**

A correlation exists between the size of companies in Serbia and the incorporation of ESG principles. Larger companies are taking the lead in integrating sustainable business practices which indicates a growing recognition of the importance of ESG principles, particularly among larger entities that have more visibility and influence. However, there is a need for increased awareness and support for ESG integration, especially

among micro and small businesses. Educational and incentive-based interventions may help enhance ESG adoption across all business sizes.

Around one-third of businesses in Serbia have already incorporated or plan to incorporate ESG principles. Specifically, 14% have already incorporated ESG principles, and 20% intend to do so in the future.

Large companies lead the way in ESG integration, with 73% already incorporating these principles and the rest planning to do so in the future. Medium-sized businesses show a balanced perspective, with 46% already incorporating ESG and 7% planning to do so. Small businesses are less likely to have integrated ESG, with only 20% having done so and 34% planning to. Micro businesses are the least likely to have incorporated ESG, with only 10% having done so and 34% planning to. Micro businesses are the least likely to have incorporated ESG, with only 10% having done so, but 16% intend to.



Does your company incorporate ESG principles (which are principles of sustainable business) into its plans?  
Base: Total target population

%% Significantly higher/lower vs total sample

A significant proportion of companies across all sizes have not incorporated ESG principles and do not intend to. Micro businesses lead this view at 38%. The lack of awareness of what ESG entails is most prominent in micro businesses (30%).

Potential explanations for these findings:

- ✓ **Resource Allocation:** Larger companies have more resources and face greater public scrutiny, which drives them to adopt ESG principles more readily.
- ✓ **Strategic Priorities:** Medium-sized companies may be at a stage where integrating ESG principles aligns with their strategic growth and operational scaling.
- ✓ **Awareness and Understanding:** Smaller businesses, particularly micro-ones, lack awareness or understanding of ESG principles, and they may not see immediate relevance or have the capacity to prioritize them.

- ✓ Market Pressures: The external pressures or incentives to adopt ESG principles, such as consumer demand, investor expectations, or regulatory frameworks, are stronger for larger organizations.

## Energy Efficiency, Environmental Protection and Barriers:

Approximately 40% of businesses have reported that they are implementing environmental protection and energy efficiency practices. Among these practices, recycling is the most commonly implemented method, with 63% of companies reporting its use.

The majority of businesses (39%) believe that the impact of these environmental practices on cost savings is marginal. In contrast, 19% of businesses experience significant cost reductions, while 32% report no change in costs resulting from these practices.

## Barriers to Incorporating Principles of Energy Efficiency and Environmental Protection:

40% of businesses believe that energy efficiency and environmental protection measures are not relevant to their operations, which is the primary barrier to implementing these measures. The second most commonly cited barrier, with 22% of businesses reporting it, is a lack of time to dedicate to energy efficiency topics. This suggests that operational priorities and resource allocation challenges are hindering progress in this area.



Thank you!



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